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SUBJECT: ITALY: BERLUSCONI III SWORN IN; LIKELY TO BE
CONFIRMED THIS WEEK

REF: A) ROME 1291, B) 04 ROME 2630

1. (U) SENSITIVE BUT UNCLASSIFIED -- NOT FOR INTERNET
DISTRIBUTION.

SUMMARY

2. (SBU) A new Berlusconi Cabinet was sworn in by President of the Republic Ciampi on April 23. If confirmed as expected by both chambers of Parliament, this will be Berlusconi's third government, counting his seven-month stint in 1994 and the just-expired term that made him Italy's longest-serving post-War Prime Minister. The new Cabinet shows few changes. It includes the four major coalition partners of Berlusconi II -- the PM's own Forza Italia (FI), National Alliance (AN), Union of Christian Democrats of the Center (UDC) and the Northern League (Lega). The Cabinet also draws in two micro-parties, the New Italian Socialists (New PSI) and the Italian Republicans (PRI), which were associated with this coalition throughout most of the previous government, but in this line-up have one ministry each. If pressure on Berlusconi to resign by AN and UDC was intended to reduce the Northern League's influence, there are few signs from Cabinet appointments that this played out. We do not foresee any dramatic changes in the policies of most concern to the USG when Berlusconi presents his government program to Parliament on April 26. Septel will report on what the Government change means for Berlusconi's economic policies. END SUMMARY.

THE NEW GOVERNMENT LINE-UP

3. (U) The government sworn in on April 23 looks much like the one it replaces:

Silvio Berlusconi (FI), Prime Minister
Gianfranco Fini (AN), Deputy Prime Minister (and Foreign Minister)
Giulio Tremonti (FI), Deputy Prime Minister (replaced Marco Follini, UDC)

MINISTERS WITH PORTFOLIO:

Gianfranco Fini (AN), Foreign Affairs
Giuseppe Pisanu (FI), Interior
Roberto Castelli (Lega), Justice
Antonio Martino (FI), Defense
Domenico Siniscalco (Independent), Economics and Finance
Claudio Scajola (FI), Productive Activities (replaced Antonio Marzano, FI)
Letizia Moratti (Independent), Education, University and Scientific Research
Roberto Maroni (Lega), Labor and Welfare
Giovanni Alemanno (AN), Agricultural Affairs and Forests
Altero Matteoli (AN), Environment
Pietro Lunardi (Independent), Infrastructure and Transport
Francesco Storace (AN), Health (replaced Gerolamo Sirchia, Independent)
Rocco Buttiglione (UDC), Cultural Assets and Activities (replaced Giuliano Urbani, FI)
Mario Landolfi (AN), Communications (replaced Maurizio Gasparri, AN)

MINISTERS WITHOUT PORTFOLIO:

(Note: Ministers without Portfolio have no independent budget and little staff. They are created on an ad hoc basis by the sitting Council of Ministers.)

Roberto Calderoli (Lega), Institutional Reform and Devolution
Giorgio La Malfa (PRI), European Union Policy (replaced Buttiglione, UDC, who was "promoted" to the Culture Ministry)
Stefano Caldoro (New PSI), Implementation of Government Programs (replaced Claudio Scajola, FI, who was "promoted" to Productive Activities)
Mario Baccini (UDC), Public Administration
Enrico La Loggia (FI), Regional Affairs
Carlo Giovanardi (UDC), Relations with Parliament

Lucio Stanca (Independent), Innovation and Technology
Stefania Prestigiacomo (FI), Equal Opportunities
Mirko Tremaglia (AN), Italians Abroad
Gianfranco Micciche' (FI), Development and Territorial Unity

(new position)

THE TALLY

14. (SBU) AN, Berlusconi's largest partner in terms of votes (after FI, based on the 2001 national election vote count), retained the double hats of deputy prime minister and foreign minister for party leader Gianfranco Fini. AN also secured the Health Ministry for party heavyweight Francesco Storace, who lost his re-election bid for Lazio regional president in the April 3-4 regional elections. UDC (slightly ahead of Lega in terms of electoral weight within the coalition) kept its three previous ministers, with former Minister without Portfolio for European Union Policies Rocco Buttiglione "promoted" to a full Ministry (Culture). UDC leader Marco Follini withdrew from his government role of Deputy Prime Minister, as he promised he would. Seemingly at odds with AN and UDC demands, the Northern League kept all three of its ministries, including the all-important (to League voters) Minister for Reform. A caustic observer might note that AN/UDC failed to break the coalition's "northern axis." New allies, PRI and New PSI, secured one ministry each.

15. (SBU) Most promotions or new appointments came at the expense of independent ministers or were swaps within a party. One new minister without portfolio was created, that for Development and Territorial Integrity -- read "the South." Berlusconi, however, succeeded in bringing back two key advisers especially important to him in electoral campaigns -- Claudio Scajola and Giulio Tremonti. Tremonti's appointment as Deputy Prime Minister alongside Fini counts also as a plus for the League, but as a possible affront to AN (see below). After assigning Productive Activities to key FI confidante Claudio Scajola, we expect Berlusconi to reward his quietly exiting loyal follower Antonio Marzano with some other appointment, likely within the party. The Scajola appointment, too, must have been the subject of intense bargaining; most sources suggested AN wanted this ministry for its own.

NEW (RE-)ENTRIES

16. (SBU) Tremonti, one of Berlusconi's most trusted allies and a senior leader of FI, is an economic and tax expert. Berlusconi may have had to overcome Fini's objections to name Tremonti deputy prime minister. Tremonti was forced to resign as Minister of Economics and Finance in July 2004 after a showdown with Fini, who accused Tremonti of monopolizing economic policy decision-making and hiding the true state of Italy's public accounts (Ref B). Tremonti is seen as a firm supporter of the Lega's devolution/government reform, which could again create friction with AN and UDC.

17. (SBU) Storace, the new health minister, is co-leader with Agriculture Minister Alemanno of AN's "Social Right" (Destra Sociale) faction. Social Right is AN's strongly populist wing, tending to support "big" government assistance to the voters. It does not fully support Fini's leadership. The appointment, however, cements Storace to the government, leaving him less room to maneuver against Fini from outside. Although he entered politics at age 14, this is Storace's first cabinet post. The new Minister said he would work to bring down the cost of medicine and to complete talks on the renewal of expired national contracts for health sector workers, including doctors.

18. (SBU) The new post of Minister without Portfolio for Development and Territorial Unity is well suited for Gianfranco Micciche', FI Coordinator for Sicily. In his most recent position of deputy finance minister, he was already responsible for southern Italy's economic development -- which begs the question why AN and UDC didn't demand a new face. Micciche' is a strong promoter of policies for the underdeveloped south, however, and giving the topic ministerial attention is designed to reassure the two coalition partners of the premier's determination to do more for the region. Micciche' told reporters that "this sends out an essential sign (to the south)... I represent a denial of those who spoke of a FI-Lega axis."

19. (SBU) Mario Landolfi, former AN spokesman who replaces Maurizio Gasparri as Minister for Communications, is a relative light weight in the Cabinet, having been a working

level contact for us thus far. He is close to Fini, and he is also from Campania, in southern Italy.

¶10. (SBU) Giorgio La Malfa, who replaced Buttiglione as EU Policies Minister, leads the small but relatively influential Italian Republican Party. Born in Milan, La Malfa is close to Berlusconi and was elected to the Chamber of Deputies in 2001 on the FI ticket.

¶11. (SBU) Stefano Caldoro, born in 1960, is almost certainly the youngest minister. Formerly deputy minister for education, Caldoro is also a southerner. He represents the miniscule New PSI.

COMMENT

¶12. (SBU) We expect the new Government to win relatively easy confirmation in confidence votes in the Chamber (likely late on April 27) and the Senate (expected April 28). The policies of the new Berlusconi Government will be much like those of its predecessor, particularly on matters of most interest to Washington -- Iraq, Afghanistan, the war on terror. In his presentation before Parliament on April 27, Berlusconi will have to show not only the voters, but perhaps more importantly coalition partners AN and UDC, that the Government recognizes their dissatisfaction with the state of the economy; this is likely to be the focus of the Prime Minister's speech. (Septel will report on what the new Cabinet means for Berlusconi's economic program.)

¶13. (SBU) While the center-right coalition parties have reconciled their differences to some degree, this alliance will be under strain from now until the next national elections. We still expect elections to be in early 2006, given that the time for dissolving Parliament to hold elections in June is almost past. (Italian law requires a 45-day campaign period prior to an election.) After June comes the sacred summer vacation season, and after that come fall budget negotiations, neither of which are auspicious for simultaneous national elections.

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